

**DIRECT TESTIMONY OF
RACHEL R. ELLIOTT
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2018-5-G**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

2 A. My name is Rachel R. Elliott, and my business address is 220 Operation
3 Way, Cayce, South Carolina. I am the Manager- Electric and Gas Regulatory
4 Accounting for SCANA Services, Inc. ("SCANA Services").
5

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS**
7 **BACKGROUND.**

8 A. I received a Bachelor of Science degree in Business Administration with a
9 major in Accounting from the University of South Carolina and a Master of
10 Business Administration degree with a concentration in Accounting from Winthrop
11 University. Prior to my employment with SCANA Services, I worked in the
12 mortgage banking industry as an Internal Auditor. I joined SCANA Services in
13 October 2001 as an Internal Auditor with increasing responsibility leading audits
14 including supervising team members, drafting audit reports, and communicating
15 results to management. In February 2008, I accepted a Senior Analyst position in
16 SCANA Services' Financial Planning and Budgeting Department with
17 responsibility for coordinating the development of SCANA Corporation's annual
18 operations and maintenance budget. In October 2010, I accepted a Senior Analyst
19 position in SCANA Services' Gas Rates and Regulatory Accounting area and was

1 promoted to Lead Analyst in February 2013 and to Supervisor of the Gas Rates and
2 Regulatory Accounting Department in January 2015. In September 2017, I assumed
3 my current position as Manager – Electric and Gas Regulatory Accounting. I am a
4 Certified Internal Auditor and Certified Public Accountant in South Carolina.
5

6 **Q. WHAT ARE YOUR DUTIES AS MANAGER OF ELECTRIC AND GAS**
7 **REGULATORY ACCOUNTING?**

8 A. My responsibilities include managing the administration of the purchased gas
9 adjustment (“PGA”), including the monthly forecast of commodity and demand gas
10 cost billing rates and the monthly (over)/under collection balance calculation. In
11 addition, I manage the preparation of the quarterly monitoring report filings for
12 South Carolina Electric & Gas Company (“SCE&G” or the “Company”), as well as
13 the annual Natural Gas Rate Stabilization Act (“RSA”) filing. My responsibilities
14 also include the preparation of SCE&G electric and gas operations financial
15 projections and analyses. I manage and assist with the development of cost of
16 service studies, rate analyses, and rate design.
17

18 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

19 A. The purpose of my testimony is to support the cost of gas (“COG”) data,
20 including the (over)/under collection amount for the period under review in this
21 proceeding, which is August 1, 2017, through July 31, 2018 (“Review Period”).
22

1 **Q. PLEASE DESCRIBE HOW SCE&G ADMINISTERED THE APPROVED**
2 **PGA GAS COST RECOVERY MECHANISM DURING THE REVIEW**
3 **PERIOD.**

4 A. SCE&G calculates the gas cost factor for each customer class every month
5 using a rolling 12-month forecast of both demand and commodity costs. SCE&G
6 updates its COG forecast monthly using current New York Mercantile Exchange
7 (“NYMEX”) prices as projected for each of the next 12 months. SCE&G uses the
8 NYMEX closing prices for a date selected by the Company that allows the revised
9 rates to be filed with the Public Service Commission of South Carolina
10 (“Commission”) before the first billing cycle of the next month. The forecast is
11 reviewed monthly and updated as needed to reflect current assessments of
12 anticipated industrial margins, capacity release credits, and firm sales levels. The
13 recalibrated 12-month recovery factors, adjusted to zero-out any prior month’s
14 (over)/under recovery for the 12-month period, determines the gas cost recovery
15 factors for the upcoming month. After notifying the Commission and the South
16 Carolina Office of Regulatory Staff (“ORS”), the factors are implemented for the
17 first billing cycle of the following month.

18
19 **Q. WHAT ARE THE UPDATED DEMAND COG (“DCOG”) ALLOCATION**
20 **(“DCOG”) FACTORS?**

21 A. The Company reviews the DCOG allocation factors each year during the
22 PGA proceeding and updates the factors to reflect current forecast assumptions.

Pursuant to Order No. 2006-679, these DCOG allocation factors are based on a weighting of 50% forecast sales and 50% forecast peak design day demand. The forecast peak design day demand for the upcoming 2018-2019 winter is 419,846 dekatherms. This resulting forecast is used for capacity planning purposes as illustrated in the testimony and exhibits of Company Witness Jackson. Based on the latest annual sales and demand forecasts, the new DCOG allocation factors will be 65.47% for Residential, 28.92% for Small General Service/Medium General Service (“SGS/MGS”) and 5.61% for Large General Service (“LGS”) usage groups. SCE&G respectfully requests that these new DCOG allocation factors be approved by the Commission and made effective for the first billing cycle of January 2019.

Q. WHAT ARE THE COMPANY’S CURRENTLY APPROVED FACTORS FOR COG?

A. As of September 21, 2018, the current COG factors, which became effective with the Company’s first billing cycle in June 2018, are \$0.58998 per therm for Residential, \$0.47856 per therm for SGS/MGS and \$0.55735 per therm for LGS. These factors include a Firm Commodity Benchmark for all firm customer groups of \$0.29678 per therm. Under the provisions of Order Nos. 2006-679 and 2009-910, SCE&G recalculates the COG monthly to determine whether an adjustment should be made to the current COG factors. If an adjustment to the COG factors is necessary, then SCE&G notifies the Commission and ORS of the Company’s intent

1 to adjust its COG factors beginning with the first billing cycle in the next succeeding
2 month.

3
4 **Q. DURING THE REVIEW PERIOD HAS SCE&G ADMINISTERED THE PGA**
5 **MECHANISM IN ACCORDANCE WITH THE TERMS OF ORDER NOS.**
6 **2006-679 AND 2009-910?**

7 A. Yes. During the Review Period, SCE&G implemented the PGA mechanism
8 in compliance with Order Nos. 2006-679 and 2009-910. The results are set forth on
9 Exhibit No. ____ (RRE-1). This exhibit accurately reflects administration of the PGA
10 recovery mechanism as approved by the Commission.

11
12 **Q. PLEASE EXPLAIN EXHIBIT NO. ____ (RRE-1).**

13 A. Exhibit No. ____ (RRE-1) shows monthly (over)/under collections
14 experienced by SCE&G in administering the PGA mechanism during the Review
15 Period. This exhibit shows that SCE&G entered the Review Period with an under
16 collection of \$16,152,786. As of the end of the Review Period, the exhibit shows
17 an under-collected balance of \$6,413,145. As of August 31, 2018, the under-
18 collected balance was \$8,552,747.

19
20 **Q. PLEASE EXPLAIN EXHIBIT NO. ____ (RRE-2).**

21 A. Exhibit No. ____ (RRE-2) shows a summary of the monthly forecast of gas
22 cost components and the resulting monthly (over)/under collection balances. The

1 end of period balance of zero shows that the forecasted gas cost factors would
2 eliminate any projected (over)/under collection amount by the end of the forecast
3 period ending August 2019.
4

5 **Q. WHAT ARE YOU REQUESTING OF THE COMMISSION IN THIS**
6 **PROCEEDING?**

7 A. On behalf of SCE&G, I respectfully request the Commission find that (1)
8 during the Review Period, the Company properly administered the PGA mechanism
9 and correctly adjusted the gas cost recovery factors for each customer usage group
10 in accordance with the terms of Order Nos. 2006-679 and 2009-910; (2) the
11 Company recovered its gas costs for the Review Period consistent with its tariffs
12 and Commission orders and that it purchased its gas supplies and administered the
13 PGA in a prudent and reasonable manner; (3) the new DCOG allocation factors are
14 appropriate and to be effective for the first billing cycle of January 2019; and (4) the
15 current gas cost recovery mechanism be continued.
16

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes.

Exhibit No. ____ (RRE-1)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
PURCHASED GAS ADJUSTMENT
(OVER)/UNDER COLLECTION

	<u>ACTUAL</u> <u>COMM. COST</u> <u>PER THERM</u> (COL. 1)	<u>BILLING</u> <u>COMM. COST</u> <u>PER THERM</u> (COL. 2)	<u>DIFFERENCE</u> (COL. 3) (1-2)	<u>FIRM SALES</u> <u>THERMS</u> (COL. 4)	<u>COMMODITY</u> <u>(OVER)UNDER</u> <u>COLLECTION</u> (COL. 5) (3x4)	<u>DEMAND</u> <u>(OVER)UNDER</u> <u>COLLECTION</u> (COL. 6)	<u>TOTAL</u> <u>(OVER)UNDER</u> <u>COLLECTION</u> (COL. 7) (5+6)	<u>CUMULATIVE</u> <u>(OVER)UNDER</u> <u>COLLECTION</u> (COL. 8)
							BEGINNING BALANCE	\$16,152,786
AUG 17	\$0.27287	\$0.38885	(\$0.11598)	8,509,372	(\$989,985)	\$2,233,517	\$1,243,532	\$17,396,319
SEP 17	\$0.28551	\$0.38885	(\$0.10334)	8,462,445	(\$888,027)	\$2,426,945	\$1,538,917	\$18,935,236
OCT 17	\$0.40168	\$0.31768	\$0.08400	9,075,582	\$744,058	(\$265,872)	\$478,186	\$19,413,422
NOV 17	\$0.46477	\$0.31768	\$0.14709	16,205,260	\$2,369,515	(\$4,859,626)	(\$2,490,111)	\$16,923,311
DEC 17	\$0.44066	\$0.31768	\$0.12298	31,049,533	\$3,818,557	(\$10,215,024)	(\$6,396,467)	\$10,526,843
JAN 18	\$0.37662	\$0.31768	\$0.05894	56,089,413	\$3,313,942	(\$12,068,895)	(\$8,754,954)	\$1,771,890
FEB 18	\$0.21863	\$0.33892	(\$0.12029)	37,839,224	(\$4,552,738)	\$4,196,408	(\$356,330)	\$1,415,560
MAR 18	\$0.38594	\$0.33892	\$0.04702	24,398,163	\$1,161,765	(\$4,254,623)	(\$3,092,857)	(\$1,677,298)
APR 18	\$0.19526	\$0.33892	(\$0.14366)	22,924,456	(\$3,272,402)	\$3,454,430	\$182,028	(\$1,495,270)
MAY 18	\$0.21557	\$0.33892	(\$0.12335)	12,512,456	(\$1,513,244)	\$3,480,308	\$1,967,063	\$471,793
JUN 18	\$0.26600	\$0.29678	(\$0.03078)	9,038,877	(\$255,809)	\$3,153,775	\$2,897,966	\$3,369,759
JUL 18	\$0.28670	\$0.29678	(\$0.01008)	8,450,907	(\$65,467)	\$3,108,853	\$3,043,386	\$6,413,145

Exhibit No. (RRR-2)

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY
PROJECTED COMMODITY AND DEMAND COSTS
(OVER)/UNDER COLLECTION**

	<u>COMM COST PER THERM</u> (COL. 1)	<u>BILLING COMM COST PER THERM</u> (COL. 2)	<u>DIFFERENCE</u> (COL. 3) (1-2)	<u>FIRM SALES THERMS</u> (COL. 4)	<u>COMMODITY (OVER)UNDER COLLECTION</u> (COL. 5) (3x4)	<u>DEMAND (OVER)UNDER COLLECTION</u> (COL. 6)	<u>TOTAL (OVER)UNDER COLLECTION</u> (COL. 7) (5+6)	<u>CUMULATIVE TOTAL (OVER)UNDER COLLECTION</u> (COL. 8)
						BALANCE @ END OF AUGUST 2018		\$8,552,747
Sep-18	\$0.44562	\$0.28023	\$0.16539	8,611,043	\$1,424,161	\$2,400,725	\$3,824,886	\$12,377,633
Oct-18	\$0.43039	\$0.28023	\$0.15015	11,071,347	\$1,662,396	(\$1,524,135)	\$138,261	\$12,515,893
Nov-18	\$0.42430	\$0.28023	\$0.14406	17,900,818	\$2,578,829	(\$4,852,183)	(\$2,273,355)	\$10,242,538
Dec-18	\$0.32243	\$0.28023	\$0.04220	32,790,626	\$1,383,775	(\$6,972,445)	(\$5,588,670)	\$4,653,868
Jan-19	\$0.27255	\$0.28023	(\$0.00769)	45,457,956	(\$349,418)	(\$11,673,679)	(\$12,023,097)	(\$7,369,229)
Feb-19	\$0.22315	\$0.28023	(\$0.05708)	41,816,718	(\$2,387,042)	(\$2,998,471)	(\$5,385,513)	(\$12,754,742)
Mar-19	\$0.24332	\$0.28023	(\$0.03692)	32,161,476	(\$1,187,344)	(\$1,057,594)	(\$2,244,938)	(\$14,999,680)
Apr-19	\$0.22592	\$0.28023	(\$0.05431)	19,703,698	(\$1,070,173)	\$2,821,687	\$1,751,514	(\$13,248,166)
May-19	\$0.33227	\$0.28023	\$0.05204	11,696,002	\$608,636	\$2,152,197	\$2,760,833	(\$10,487,333)
Jun-19	\$0.34164	\$0.28023	\$0.06140	9,345,619	\$573,850	\$2,588,824	\$3,162,674	(\$7,324,657)
Jul-19	\$0.39793	\$0.28023	\$0.11769	8,458,926	\$995,569	\$2,514,281	\$3,509,850	(\$3,814,807)
Aug-19	\$0.46934	\$0.28023	\$0.18910	8,321,832	\$1,573,699	\$2,241,109	\$3,814,807	\$0